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AF/S FOR HTREGER
EB/IFD/OIA FOR JROSELI
L/CID FOR EDAUGHTRY

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [EINV](#) [ETRD](#) [PGOV](#) [KIDE](#) [CASC](#) [MZ](#)

SUBJECT: MOZAMBIQUE - 2006 Report on Investment Disputes and Expropriation Claims

REF: A. STATE 60294

¶B. 05 Maputo 1062

¶11. Post is aware of one (1) claim that may be outstanding against the Government of the Republic of Mozambique (GRM).

¶12. Claimant A.

¶13. This potential claim arose on or around August 5, 2005.

¶14. In 2001 Claimant A received authorization for a foreign investment project from the GRM's Ministry of Planning and Finance. The GRM granted Claimant A a ten-year right to operate (the "concession") in the District of Chifunde, Province of Tete, with the option to renew for five years. The concession was for the cultivation, fomentation and commercialization of loose-leaf tobacco. Each year Claimant A's subsidiary was required to submit a proposed program of cultivation, fomentation and commercialization to the GRM, allowing the subsidiary to proceed with the program for the following season. This concession was one of several held by Claimant A within the country of Mozambique.

¶15. On August 5, 2005, the Minister of Agriculture issued a decision interrupting/revoking Claimant A's concession rights in the District of Chifunde. On August 15, 2005, Claimant A filed an appeal with the Minister of Agriculture requesting reconsideration and revocation of the August 5 decision. The status quo was not maintained during consideration of this appeal, and on September 15, 2005, the Governor of Tete issued a decision granting another American company the immediate right to operate the concession. Claimant A maintains that the grounds given for interruption/revocation of the concession were false, and that the GRM failed to follow procedures outlined in the concession agreement and Mozambican law regarding revocation of concession rights.

¶16. In response to private sector and Claimant A's complaints, on October 11, 2005, the Minister of Agriculture sent the issue to the Governor of Tete for further consideration. Fact-finding investigations were supposed to occur but did not. Claimant A stated to Embassy officers that it spent the following eight months trying to regain possession and use-rights to the concession. Efforts included meetings with the Governor of Tete, meetings with governors of other provinces in which Claimant A had concessions, meetings and correspondence with the Ministry of Agriculture and presidential advisors, and open letters by the private sector. Claimant A retained local legal representation to assist in these efforts.

¶17. As the result of the loss of its concession in Tete,

Claimant A decided in March 2006 to cease all operations in Mozambique. Claimant A informed the Embassy at that time that it was in the process of filing an insurance claim against the GRM and was considering pursuing international arbitration under the Bilateral Investment Treaty. According to Claimant A, it has suffered damages in an amount exceeding ten (10) million dollars (\$10,000,000) as the result of the loss of this concession and its departure from Mozambique.

¶8. The Embassy last received information on this dispute in May 2006. The Mozambican press continues to report on Claimant A's departure from Mozambique, and the GRM now publicly claims Claimant A left voluntarily without notice or reason.

¶9. Claimant A: Alliance One International (formerly DIMON Incorporated). Post understands that Alliance One International formed on May 13, 2005, as the result of a merger of DIMON Incorporated ("DIMON") and Standard Commercial Corporation ("Stancom"). The concession at issue was originally granted to DIMON; however, both DIMON and Stancom held concessions in Mozambique. Post does not have any information indicating whether Alliance One or any of its subsidiaries or predecessors signed a Privacy Act waiver.

La Lime